British Columbia Packers Limited

Present Company and Predecessors have Operated
Continuously since 1876

PACKERS OF

"CLOVER LEAF"

and other well known brands

Canned Sea Foods — Edible Fish Meals and Oils

Twelfth Annual Report

For the Fiscal Period ended
APRIL 30, 1940

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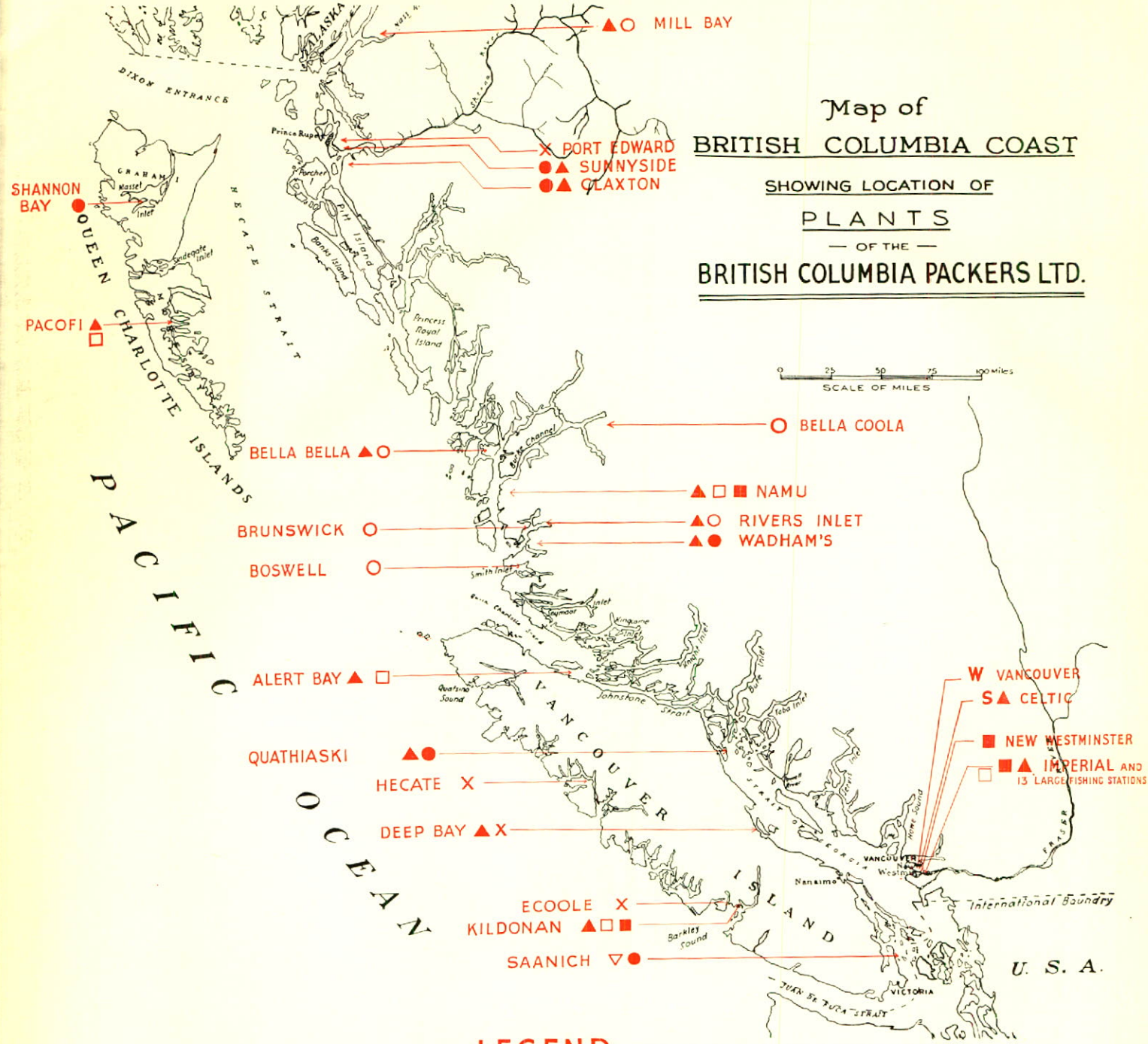
Map of BRITISH COLUMBIA COAST

SHOWING LOCATION OF

PLANTS

— OF THE —

BRITISH COLUMBIA PACKERS LTD.



LEGEND

- ● CANNERIES.
- □ CANNERIES AND REDUCTION PLANTS COMBINED.
- X REDUCTION PLANTS ONLY.
- O FORMER CANNERIES NOW OPERATED AS FISHING STATIONS.
- ▲ STORES CONTINUOUSLY OPERATED BY THE COMPANY SERVING BOTH THE PUBLIC AND EMPLOYEES.
- S SHIPYARDS.
- W WHARF, WAREHOUSE AND HEAD OFFICE.
- ■ COLD STORAGE PLANTS.
- ▽ SMALL FRUITS AND CLAMS.

British Columbia Packers Limited

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Shareholders of British Columbia Packers Limited will be held at the Head Office of the Company, Foot of Campbell Avenue, Vancouver, Canada, on Friday, the 30th day of August, 1940, at 12:00 o'clock noon, for the following purposes:

(*a*) Receiving and considering the Report of the Directors of the Company and the Balance Sheet and other accounts for the financial year ended 30th April, 1940, and the Auditors' Report thereon (copies whereof accompany this notice);

(*b*) Electing Directors for the ensuing year;

(*c*) Appointing Auditors for the ensuing year;

(*d*) Transaction of such other business as may properly be transacted without notice.

If you are unable to attend this meeting you are particularly requested to sign the attached form of proxy and return it in the enclosed envelope which requires no postage.

DATED at Vancouver, Canada, this 14th day of August, 1940.

By Order of the Board,

G. M. FERGUSON,

Secretary.

British Columbia Packers Limited

PROXY

FOR TWELFTH ANNUAL GENERAL MEETING

I, _____

of _____

a Shareholder of BRITISH COLUMBIA PACKERS LIMITED, being the registered owner of _____ Common Shares, hereby appoint H. R. MacMillan, President, or failing him, Stanley Burke, Vice-President, or failing him, G. M. Ferguson, Secretary-Treasurer, all of Vancouver, Canada, as my proxy to vote for me and in my name at the Twelfth Annual General Meeting of the Company, to be held on the 30th day of August, 1940, and at any adjournment of such meeting.

DATED at Vancouver, Canada, this 14th day of August, 1940.

Shareholder:
Sign here _____

British Columbia Packers Limited

BOARD OF DIRECTORS

J. M. Buchanan
F. E. Burke
Stanley Burke
J. H. Copeman
Gordon Farrell
J. H. Gundy
George Kidd
H. R. MacMillan
J. S. McLean
J. P. D. Malkin
A. Howard Spohn
Austin C. Taylor
W. J. Van Dusen
A. H. Williamson

OFFICERS

H. R. MacMillan, *President*
Stanley Burke, *Vice-President*
J. M. Buchanan, *General Manager*
S. K. Murray, *Assistant General Manager*
E. G. Hurrell, *Sales Manager*
G. M. Ferguson, *Secretary-Treasurer*
A. Hamilton, *Assistant Secretary*

REGISTRAR AND TRANSFER AGENT

The London & Western Trusts Company Limited
Toronto and Vancouver, Canada

Co-Transfer Agent
Chartered Trust and Executor Company
Montreal, Canada

Auditors
Price, Waterhouse & Co.

Report of Directors

To the Shareholders

BRITISH COLUMBIA PACKERS LIMITED:

The twelfth financial year of the British Columbia Packers Limited ended April 30th, 1940. The present Company was formed in 1928 to take over predecessor Companies whose continuous operating history in the fishing industry reached back to 1876.

Prior to the formation of the British Columbia Packers Limited there had been very heavy losses in the British Columbia salmon canning industry in 1921 through the accumulation of heavy stocks of canned salmon saleable only at a great loss in the commodity price decline following the Great War and again in 1930 the industry encountered another drastic liquidation of a large salmon pack at a serious decline in price, the result of which was to deplete seriously the working capital of several important salmon packing companies. British Columbia Packers Limited has been ten years recovering from the staggering losses of 1930, and only within the last two years has completed building up plants and equipment and restoring credit and working capital to the position necessary to enable the Company to perform its function efficiently for the benefit of the fishermen, the employees, the state, and the shareholders. During that period the shareholders have received no return from their investment.

WORLD MARKET CONDITIONS:

We are now in the midst of another World War, some of the early consequences of which have been restrictions reducing our customary sales to important overseas markets, a reduction of food consumption accompanied by reduced and more selective buying in the United Kingdom. This endangers our greatest export market. At the same time there has been a decline in the price of some important competitive goods in Canada.

Although starvation may face many millions of people who have come under the control of the enemy in Continental Europe, nevertheless it would appear illogical to accumulate Canadian food stocks to feed them while the British Navy is still exerting its blockade. With a great part of our former world markets cut off from us by war, tariffs and import restrictions, the time has come to be realistic about some aspects of British Columbia's salmon markets.

The following is an approximately correct statement of the destinations to which British Columbia canned salmon was exported in the pack years, 1922, 1930, 1939:

BRITISH EMPIRE

	1922 Cases	1930 Cases	1939 Cases
United Kingdom	331,258	189,227	405,943
Australia	77,914	227,423	278,047
New Zealand	17,496	62,404	64,470
British South Africa	.....	35,202	71,997
Fiji	8,844	11,015	15,020
British India	.....	6,113	8,225
British West Indies	.....	12,386	13,758
Other British Possessions	31,586	22,217	.....
Total British Empire	467,098	565,987	858,460
Total Other Countries	441,733	575,198	177,010
TOTAL EXPORTS	908,831	1,141,185	1,035,470

OTHER COUNTRIES

	1922 Cases	1930 Cases	1939 Cases
France	362,958	219,854	108,283
Belgium	22,708	58,721	9,306
Italy	.....	152,044	.....
Colombia	.....	5,011	9,252
Portuguese East Africa	.....	8,723	6,806
South American Countries	.....	57,319	.....
Other European Countries	24,796	.....	.....
United States	11,352	.....	.....
All Other Countries	19,919	73,526	43,363
Total Other Countries	441,733	575,198	177,010

The shrinkage in certain markets has been due to the extension of nationalistic policies. Since the end of our financial year enemy action has removed markets which purchased over one hundred and twenty thousand cases of British Columbia Salmon in 1939. The growing pack of cheaper salmon by Japanese in the Orient has also detrimentally affected export markets for British Columbia canned salmon.

The United Kingdom has long been the world's greatest importer of canned salmon and has been British Columbia's most important market. The comparative standing of British Columbia in that market has apparently escaped the attention of many persons more or less dependent in the British Columbia salmon fisheries for their livelihood.

APPROXIMATE IMPORTS OF CANNED SOCKEYE OR RED SALMON INTO UNITED KINGDOM FOR 1939 PACK YEAR

Source	Quantity	Cost in Canadian Dollars, Unlabelled, Landed in U.K. Port, Duty Paid (Case of 96/½ lb. Tins) Per Case
Japan	850,000 Cases	$11.88
*United States	600,000 Cases	13.35
Canada	200,000 Cases	15.00
	1,650,000 Cases	

*—The United States supply is packed in 1 lb. tins which customarily sell at $1.50 per case less than ½ lb. tins. All prices have been corrected to basis of ½ lb. tins.

Many of the most important persons in the United Kingdom salmon trade have for some time pointed out that British Columbia's position in the market was endangered by maintaining prices so far above the level established by the most important world producers.

EARNINGS:

The Profit and Loss Account shows a net profit after depreciation and taxes of $390,631.62 equal to 6.31% in the total volume of net sales.

The Company has pursued a policy of widening its base of operations and diversifying its production and its income. The earnings arise not only from producing, canning and freezing several species of salmon but also from

producing and canning Herrings and Pilchards, Oysters and Clams, Fresh Oysters, canning several varieties of Fruit, and from the production of Herring, Pilchard, Salmon and Greyfish edible meals and oils, and several species of fish liver oils for medicinal purposes, the need for which in Canada has been increased as a result of war. The fleet, store and wharf operations of the Company were continued and somewhat extended during the year.

The earnings of the Company on goods produced or processed equalled eighteen cents per 100 lbs. of raw product, a sum which is a small earning for the plant and capital employed. The Company feels it is performing a useful function in producing valuable necessities of life at a low cost to the consumer.

During this financial year the Company, by the purchase of the firm of Edmunds & Walker Limited re-established itself in the Fresh, Frozen and Cured Fish Industry. The Company is carrying on this branch of its operations under the name of Edmunds & Walker Limited. The former principals of the firm, Mr. W. H. Edmunds and Mr. R. E. Walker, both of whom were former employees of British Columbia Packers Limited, continue as the management and represent an accession of strength to our personnel. The purchase of this Company improves the Market outlet for large quantities of fish produced by the Company which are best marketed by other means than by canning.

BALANCE SHEET:

Current and Working Assets amount to $3,231,573.45, an increase of $977,115.33 over 1939. Of the Inventory of finished products as at April 30th, 1940, amounting to $1,355,502.73, less than $50,000.00 remain unsold as of July 31st, 1940. Inventory of Store Merchandise, etc., shows an increase of $602,373.16 due to a Policy of acquiring stocks of these very necessary supplies earlier than usual owing to a general uncertainty of delivery.

Current Liabilities amount to $1,472,810.38, an increase of $921,416.23. The increase in the liability to the Banks and to Sundry Creditors of $599,043.40, excluding Bill Payable, is due chiefly to the increase in supplies above mentioned. A Reserve for Income and other Taxes in the amount of $356,312.54 has been set up. The abnormal increase in this reserve for Taxes is occasioned principally by the recent amending Legislation in respect to Dominion Taxes.

There is an improvement in Net Current Position of $55,699.10 over 1939, after a payment during the year of $50,000.00 on the First Mortgage Bonds and after allowing for a payment of $56,007.55 on account of Bill Payable secured by the Second Mortgage Bonds and an expenditure of $481,831.14 on new properties, plant, equipment and boats referred to later in this report.

PLANT AND FLEET:

Your Directors have continued and practically completed their programme of rounding out the Company's operations so as to make the greatest use of the resources within the Company's reach and to give the longest possible employment each year to those dependent upon the Company for a livelihood.

During the year a reduction plant was built at Alert Bay and the cannery at that point re-established and re-equipped. A cold storage plant of a storage capacity of 750,000 pounds and an ice plant with a storage capacity of 1,000,000 pounds was built at Namu. The reduction plant, wharf, power plant and water supply at Namu were increased. A Meal warehouse was built at Imperial Cannery and the reduction plant increased. Additions were made to Pacofi and Port Edward reduction plants and several large Centrifugal Separators for separating fish oils were installed in other plants.

The usual high standard of condition was maintained in the extensive fleet. The "Northisle", a packer 66 feet in length, equipped with 140 H.P. British Diesel engine, was built in the Company's Celtic Shipyard and the following fishing vessels purchased: "Inez F.", "Jessie Island No. 6", "Schuchona No. 2", "Schuchona No. 4".

The Reduction Plant and other property of the Deep Bay Fishing & Packing Co. Ltd. at Deep Bay on the East Coast of Vancouver Island was leased for the production of liver oil and greyfish meal and oil.

DISTRIBUTION OF INCOME:

The benefits of the Company's widely spread production and large turnover pass to a very large number of persons in many occupations. The service to the state by way of taxes paid is noteworthy:

		Per Cent of Net Income
Net Income from Sales of Products	$ 6,190,952.92	100%
Distribution of Income:		
Paid to fishermen and employees	2,961,776.05	47.8
Paid for supplies, miscellaneous services, etc.	2,204,797.72	35.6
Provision for Dominion and Provincial Income Taxes	369,935.00	6
Depreciation (to be expended ultimately in wages and supplies for maintenance and renewals)	263,812.53	4.3
Balance accumulated by the Company as earnings for the maintenance of the business and the ultimate benefit of Shareholders	390,631.62	6.3
	$ 6,190,952.92	100%

GENERAL:

The Company has pursued its policy of improving and broadening the sea food products presented to the Canadian public. During the year new products developed were Salmon a la King and Curried Salmon. An experiment in seeking Tuna in the open ocean to the west of Vancouver Island was successful, and canned Canadian Tuna was made available to the Canadian public in commercial quantities for the first time.

The Staff has again earned the commendation and thanks of the Directors and Shareholders. Staff loyalty, imagination and team work have contributed importantly to the improved results shown in this year's statement. A group pension and savings scheme to which the Staff and the Company contribute, which was established during the year, has received widespread support.

Respectfully submitted,

H. R. MacMILLAN, *President.*

British Columbia
and Subsidiar

Consolidated Balance Sh

ASSETS

CURRENT AND WORKING ASSETS:		
INVENTORIES—		
Canned Salmon, Herring, Clams, Oysters, Meal and Oil, Fruit, etc. on hand, on consignment and in transit, valued on the basis of (*a*) amount sold under sales contracts at net selling value, (*b*) remainder at cost (excluding depreciation) or market value, whichever is lower	$ 1,355,502.73	
Store Merchandise, Cans, New Nets, Labels, etc.—at cost or market, whichever is lower	1,014,412.49	
Used Nets, Fishing and Operating Supplies—as valued by the Management	224,931.51	
	$ 2,594,846.73	
Unexpired Insurance, etc.	9,029.66	
SUNDRY DEBTORS—		
Bills and Accounts Receivable, Advances to Fishermen and others, secured and unsecured—less reserve	572,741.35	
Cash on hand and in transit	54,955.71	
		$ 3,231,573.45
CAPITAL ASSETS:		
Freehold Lands at 1938 assessed value	$ 133,553.00	
Leasehold Lands at nominal value	1.00	
Buildings, Plant, Machinery, etc. at replacement values as appraised in 1929 by the Canadian General Appraisal Co. Ltd., less retirements and abandonments at such value, plus the cost of subsequent additions	$ 4,743,617.32	
Floating Equipment at book values	857,752.42	
	$ 5,601,369.74	
Less—		
Reserve for Depreciation	3,128,246.07	
	2,473,123.67	
Licences, Trade Marks, Goodwill, etc.—at book values	1,091,336.39	
		3,698,014.06
DEFERRED CHARGES:		
Bond Discount and Expense—less amount written off	$ 54,617.67	
Miscellaneous	1,975.14	
		56,592.81

Approved on Behalf of the Board:

H. R. MACMILLAN, *Director.*

S. BURKE, *Director.*

$ 6,986,180.32

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of British Columbia Pac obtained all the information and explanations which we have required. In connection t supporting evidence, but the scope of our examination of the detail transactions was co dated Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and co of our information and the explanations given to us and as shown by the books of the

Vancouver, B.C.
July 31, 1940.

Packers Limited

y Companies

eet as at April 30, 1940

LIABILITIES

CURRENT LIABILITIES:		
Bank Loan and Overdraft—secured	$ 378,574.91	
Sundry Creditors, including Accrued Interest, etc.	681,915.38	
Bill Payable—instalment due July 1, 1940 secured by Second Mortgage (Closed) Serial Debentures	56,007.55	
Reserve for income and other taxes	356,312.54	
		$ 1,472,810.38
DEFERRED LIABILITY:		
Bill Payable—payable in annual instalments of $50,000.00 on July 1, 1941 to 1945 inclusive and $61,000.00 on July 1, 1946 with certain provisions for acceleration, secured by deposit of the Second Mortgage (Closed) Serial Debentures mentioned below		304,992.45
FIRST MORTGAGE BONDS:		
Aggregate principal amount which may be outstanding—	$ 2,000,000.00	
($1,000,000.00 Series A have been issued; remainder available for issue subject to terms and conditions of Deed of Trust and Mortgage.)		
Outstanding—		
First Mortgage Serial Bonds payable $50,000.00 annually on December 1 to 1944—redeemable at Company's option prior to maturity at 101%:		
4% Bonds $100,000.00		
4½% Bonds 150,000.00	$ 250,000.00	
Convertible 5% Fifteen-year First Mortgage (Sinking Fund) Bonds—maturing December 1, 1953—redeemable at Company's option to December 1, 1941 at 105% and thereafter at reducing premiums to maturity; or convertible to December 1, 1943 at option of holders into shares of the Company	700,000.00	
		950,000.00
SECOND MORTGAGE (CLOSED) SERIAL DEBENTURES—4%:		
Maturing $50,000.00 annually on July 1 to 1945 and $61,000.00 on July 1, 1946 —redeemable at par prior to maturity at Company's option	$ 361,000.00	
CAPITAL AND EARNED SURPLUS:		
CAPITAL—		
Authorized:		
390,994 Common Shares—no par value.		
Issued:		
136,279 Common Shares of no par value	$ 3,600,000.00	
NOTE—31,500 of the unissued Common Shares are held against the conversion privilege to the holders of 5% First Mortgage Bonds.		
EARNED SURPLUS—		
Per statement attached	658,377.49	
		4,258,377.49
CONTINGENT LIABILITIES:		
Bills under Discount, Endorsements and Guarantees, including £52,032.5.8. Sterling commitments converted at $4.47 to the £	$ 1,013,302.52	
		$ 6,986,180.32

kers Limited and its Subsidiary Companies for the year ended April 30, 1940, and have herewith we have examined or tested the accounting records of the Companies and other nfined to a test thereof. We report that, based on such examination, the above Consoli- rrect view of the state of the affairs of the combined Companies, according to the best Companies.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

British Columbia Packers Limited

and Subsidiary Companies

Consolidated Statement of Profit and Loss and Earned Surplus Account as at April 30, 1940

Sales (net)		$ 6,190,952.92
Deduct:		
Cost of Sales		4,713,205.69
		$ 1,477,747.23
Deduct:		
Selling, Administrative and General Expenses, including interest on Bank Loans and Bills Payable, etc.		366,562.83
		$ 1,111,184.40
Deduct:		
Depreciation	$263,812.53	
Interest on Bonds	46,922.62	
Directors' Fees and Remuneration	1,500.00	
Management and Executive Salaries	30,116.48	
Legal Fees and Expenses	4,245.22	
Bond Discount and Expense—amount written off	4,020.93	
Provision for Dominion and Provincial Income Taxes	369,935.00	
		720,552.78
Profit for year ended April 30, 1940		$ 390,631.62
Add:		
Surplus as at April 30, 1939		267,745.87
Earned Surplus as at April 30, 1940		$ 658,377.49

HISTORY OF
ALERT BAY PLANT

Manager, J. V. HARDY

Alert Bay is named after H.M.S. "Alert" which called here in 1860, the first steam vessel to visit this district.

A salmon saltery was erected in 1862 by Mack and Neill.

The first Cannery between the Fraser River and the Skeena River was built here in 1881 by S. A. Spencer and T. Earle. In 1894 Earle sold his interest to Spencer, who operated as The Alert Bay Canning Company.

The British Columbia Packers Association acquired the property in 1902, at which time the exclusive fishing rights were acquired on the Nimpkish River in return for maintaining a hatchery and protecting the fisheries, which conservation methods were later taken over by the Dominion Government and the fishing rights relinquished.

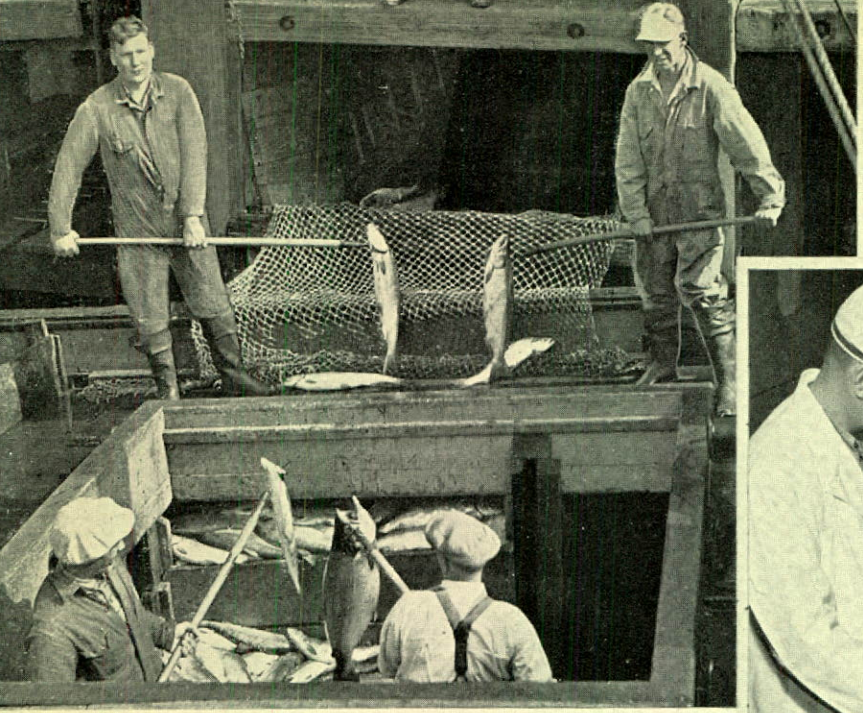
A sawmill for the manufacture of boxshooks and lumber for the requirement of allied canneries was operated here in conjunction with the plant from 1908 to 1928.

The property was transferred in 1914 to the British Columbia Fishing and Packing Co. Ltd., and in 1928 to the present owners, the British Columbia Packers Limited.

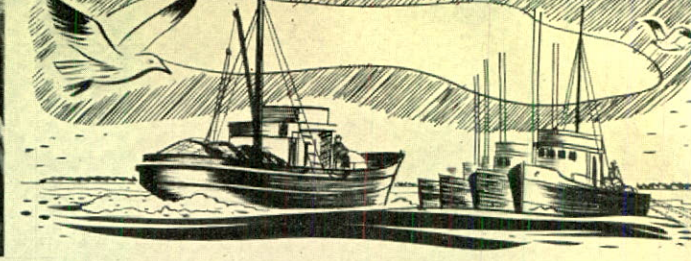
The Plant was not operated from 1933 until the winter of 1939. During this period the fish caught in this area were transferred to other canneries owned by the British Columbia Packers Limited.

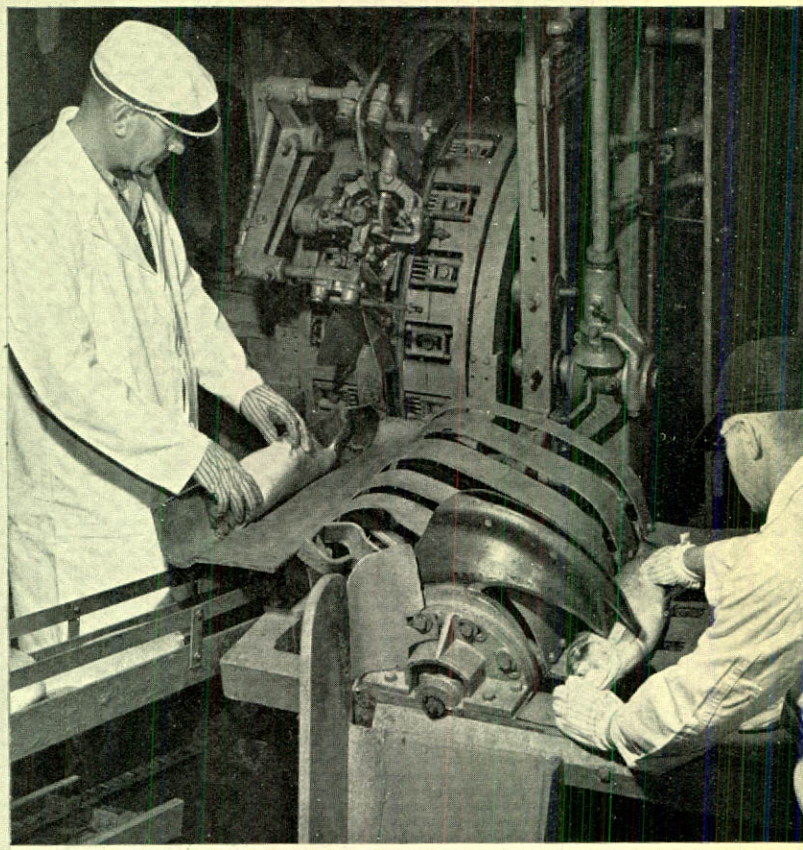
The fishing organization and other activities of the Company were studied and developed in the region of Alert Bay, and during the winter of 1939 a reduction plant was installed and operated for the production of edible fish meals and oils. During the spring of 1940 a two-line cannery was installed to be operated during the 1940 salmon season.

While operating (1881 to 1933) this cannery produced 632,497 cases of Canned Salmon.



Unloading Salmon from Collecting Boat





"Iron Chink" for Heading and First Cleaning

(Above) Final Cleaning and Inspection of Fish

(Right) Hand Filling Fish in Cans

"CLOVER LEAF" PRODUCTS DISTRIBUTED IN CANADA